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Corporate Directors' Compensation 1986 Edition

by Jeremy Bacon

A Research Report from The Conference Board

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Highlights

• Median compensation of outside directors moved forward again in 1985 compared to 1984, but at a slower pace than in a decade or so.

• *The gains in median pay were well under 10 percent in all three major industry categories.* Manufacturing companies registered virtually no overall gain over 1984. The following tabulation is based on total annual pay (board and committee compensation combined):

	Percentage Increase in Median Total Annual Compensation	
	1984	1985
Manufacturing companies	11%	0.5%
Financial companies	6%	5%
Nonfinancial service companies	15%	7%

• The median total pay figures for the three industry categories (the source of the above percentages) for 1984 and 1985 are:

	Median Total Annual Compensation	
	1984	1985
Manufacturing companies	$18,900	$19,000
Financial companies	$14,200	$14,975
Nonfinancial service companies	$16,125	$17,200

• *In the biggest manufacturing companies* ($5 billion or more in sales), *median total annual compensation is up to $33,200*—a substantial figure, but *only 4 percent larger* than the 1984 one. (And the 1984 figure had increased only 3 percent over the 1983 amount); Table 3, p. 4.

• *A new comparison by geographic region shows that median pay* for directors *is not uniform in different parts of the country.* The biggest difference in dollars is in manufacturing, where there is a gap of $11,000 between the highest regional median (Mid-Atlantic region) and the lowest (Lower Southeast); Table 8, p. 6.

• *Another new analysis indicates that U.S.-based multinational companies pay more,* on average, than other companies of comparable size; Table 11, p. 8.

• *Median retainers* in companies paying both retainers and per-meeting fees (the majority practice) *stayed at $12,000 in manufacturing and $10,000 in nonfinancial service companies.* The median retainer in the financial industry rose modestly by $400 to $8,400; Table 13, p. 10.

• Almost every company surveyed has at least one board committee, and *91 percent of those companies now give extra compensation to their directors for committee service;* Table 20, p. 14. *The per-meeting fee is the usual form* in which this extra compensation is paid; Table 21, p. 14.

• *Committee chairmen get more pay* than regular members *in 43 percent of the companies* having committees, about the same as last year's 42 percent. Copmmittee chairmen most often get their extra compensation *in the form of a retainer.* Table 25, p. 15.

• *Close to half of all companies have more than four board committees.* Financial companies tend to have more committees than firms in other industries. Table 28, p. 16.

• Committees in financial companies also meet more frequently—especially in the case of executive and finance committees, both of which have a median frequency of six meetings a year in this industry; Table 30, p. 17.

• *Outside directors of 73 percent of the companies* in the report *receive at least one kind of benefit,* not counting directors and officers liability insurance, in addition to cash compensation; the figure is 93 percent if D&O is included. These figures are very close to the equivalent 1984 figures. *Large companies average three or four benefits for directors, and some have twice as many;* Table 31, p. 19.

• *The most popular benefit* (again leaving out D&O) *is an arrangement for deferring receipt of board compensation;* 53 percent offer it. Travel accident insurance is provided by 40 percent of the respondents, and a donation-matching program by 35 percent. All other benefits are found in fewer than 20 percent of the companies; Table 32, p. 19. *A new table shows the use of directors' retirement plans,* one of the newer benefits, by company size category; Table 33, p. 20.

Why This Report

THIS REPORT, now annual, continues a series that goes back to 1938. In those days, being a corporate director was a relatively simple matter, and directors were paid accordingly. Today's considerably larger and more complex compensation packages reflect the underlying reality of the corporate director's new status: more involved, more responsible, more accountable for that responsibility. It is also a safe assumption that these figures point up another reality; if today's companies expect more from their board members, apparently they are also willing to pay for it.

On the other hand, large pay increases on the order of those seen in recent surveys of directors' compensation may be a thing of the past. Changes since 1984 are relatively modest, especially in the manufacturing sector.

Like its predecessors, this report is designed to help top management make informed decisions about board pay. It presents detailed information on forms and amounts of compensation to the directors of 956 U.S. corporations as of June, 1985—by industry groups, by specific industries within those groups, and by size of company.

The Conference Board thanks all those who participated in the survey and made this report possible. Most of the cooperators, as usual, are members of the American Society of Corporate Secretaries. We also appreciate assistance given by the National Office of the Society, a brief description of which appears on the inside front cover.

JAMES T. MILLS
President

Method, Sample and Terminology

About Data Collection

The information for this report was collected during May and early June of 1985 by means of a questionnaire that was sent to the members of the American Society of Corporate Secretaries, plus a small number of additional firms. The total number of respondents on which the figures in the report are based is 956: 457 manufacturers, 203 financial companies, and 296 nonfinancial service firms. All respondents are United States companies; and, in almost all cases, they are independent or parent companies, rather than subsidiaries.

About Data Analysis

Industry and size categories

For analytical purposes, data are broken down in one of three ways:

- By three major industry categories (manufacturing, financial, nonfinancial service);
- By individual industry (41 in all) within those categories;
- By company size, using 14 size groups ranging from under $10 million to over $5 billion in sales, except for financial firms, whose size is measured in total assets.

Percentages and central tendencies

In most cases, the base used for calculating percentages is the number of companies that answered the particular question or part of a question; companies that did not reply, or indicated that the question is not applicable, are omitted from the calculation. They are also omitted from the number of companies indicated in table headings.

Medians

Medians rather than mathematical averages (means), are usually used to show representative or typical values. A median is the middle value in a distribution arrayed by size, above and below which lie an equal number of values. Means and modes (most frequently reported values) are used in a few cases where they help to clarify comparisons.

Survey samples

The companies that respond are not exactly the same from one survey to the next. Thus, measurements of change between surveys are based on statistics from comparable samples, not change within an identical repeated sample.

Total annual compensation

The study uses a figure that is unique to this series: *total potential annual compensation (regular board service plus committee service) to representative outside directors.* In most cases this figure is provided specifically by the survey respondent; in other cases, it is calculated. It represents what a typical director of a given company makes in a year, if he or she attends all required board and committee meetings. We believe it to be the best single indication of board pay for use in comparing companies.

Terminology

This report deals only with compensation of the *outside director,* which for this purpose means a director who is not presently an employee of the company. The term *retainer* indicates in every case an amount paid on an annual basis (although it may actually be paid out in installments during the year), and that is not directly related to and does not depend on attendance at board (or committee) meetings. The term *fee* means an amount paid for attendance on a per-meeting basis.

"*Regular board service*" refers to meetings and other work of the *full board,* as distinguished from service as a member of one or more board committees.

Chapter 1
Total Annual Compensation of Outside Directors

THIS CHAPTER contains information about how much outside directors make for a year's board work, including committee service. It presents this information by major industry category (manufacturing, financial, nonfinancial service), by 41 specific industries, and by company size within industry categories. It includes both dollar figures and amounts and percentages of increase (or decrease) since the 1984 survey.

A new analysis this year compares director pay levels in nine regions of the country. Also new is a comparison, for manufacturing companies, between those that are substantially multinational in their scope and those that are not.

All tables in the chapter are based on one figure for each company, representing what the most typical outside director on that company's board can expect to earn in a year (see box). Later chapters deal separately with board-only compensation and with committee compensation.

Increases Since 1984

A majority of respondents did not increase their pay to directors between 1984 and 1985—only 43 percent did, as against 47 percent last year. In fact, 10 companies *reduced* directors' compensation from last year.

Nevertheless, the raises given by the minority had the effect of increasing median average compensation levels slightly over 1984. Table 1 gives figures for the three major industry categories and shows that:

- Nonfinancial service companies had the largest overall percentage increase, as they did last year, but it was only half as large a gain this time: 7 percent, as compared to 15 percent.
- The median for all manufacturing companies was essentially not changed.
- Financial companies also had a small increase, at 5 percent—almost as large as the 1984 gain for these companies.

All in all, these figures add up to at least a temporary lull in the strong upward trend in directors' compensation documented in these surveys over the last decade or so.

Compensation in Manufacturing Companies—By Industry

Table 2 presents information for 25 individual industries within the manufacturing category. It shows that median pay increased in 12 industries, declined in 11 industries (only 5 industries had shown a decrease in 1984), and stayed unchanged in the others. Changes, whether up or down, amounted to 10 percent or less in half these cases.

Among industries represented by at least 10 companies in the 1985 survey, the food industry has the highest median pay for directors—$25,000—followed by conglomerates ($23,400), paper ($23,000), and printing-publishing and containers-packaging, each at $22,000. The median for all manufacturing companies combined is $19,000.

Compensation in Manufacturing Companies—By Company Size

Table 3 gives figures for manufacturing firms on the basis

About the Total Potential Annual Compensation Figure

One of the basic purposes of this survey is to enable useful comparisons. In particular, we have in mind the corporate reader (or director) who wants to see how his or her company's directors' compensation compares with that of companies of similar size in the same or a similar industry or industries. Thus, The Conference Board survey in recent years has emphasized one figure in particular for each participating company: how much a *typical* outside director of that company can expect to make, in total, for a full year's service on the board, counting committees. This figure serves as the basis for the tables presented in this chapter.

We call this figure "total potential annual compensation (regular board service plus committee service) to representative outside directors." It is based on the assumption that the typical director attends, and therefore is paid for, every board meeting and every meeting of every board committee on which he or she serves; it is the *potential* compensation for full participation.

Because the figure is for what the *most representative or typical* director on that board makes, on most boards, some directors will make more, some less, depending on committee assignments or chairmanships.

of company size. In manufacturing, more than in the other two industry categories, it continues to be generally true that the larger the company, the higher the compensation of its directors. The median for the largest group (sales of $5 billion) now stands at $33,200, which represents a 4 percent gain over 1984.

The ranges shown in the table indicate that the highest-paying companies often pay $10,000 or more above the median figure for the size group.

Compensation in Financial Companies—By Industry

Figures for financial companies (again, median figures for total potential annual compensation) appear in Tables 4 and 5. Table 4 shows that mutual life insurance companies continue to pay more—$27,500 for the median firm—than companies in other financial industries.

Compensation in Financial Companies—By Company Size

Among the financial companies, directors' pay is not as closely related to company size (which is measured in *assets* for financial firms) as is the case with manufacturing companies, as Table 5 indicates. However, the highest median as well as the highest top-of-the-range amount are found in the largest size category, where 32 percent of all the financial firms are found.

There is no real pattern in increases or decreases in size groups since 1984, in this industry category.

Compensation in Nonfinancial Service Companies—By Industry

Figures for the third major industry category are found in Tables 6 and 7. Table 6 shows that widely diversified companies (conglomerates) have the highest median pay for directors in this industry group: $27,188. Medians for four of the eight industries in the nonfinancial services category went up, by 10 percent or more; the others went down or, in one case, stayed even.

Compensation in Nonfinancial Service Companies—By Company Size

Table 7 shows that directors' compensation in this industry category tends to increase along with company size, although the correlation is by no means perfect. The median annual compensation figure for the biggest firms is $27,288, almost unchanged from the 1984 survey.

Regional Differences in Directors' Compensation

For the first time in this series, this report analyzes directors' pay levels in different parts of the country. This regional breakdown should provide additional guidance to those users of the report who are interested in measuring their practices against those of other companies most comparable to their own.

The Geographic Regions Used for Comparison of Directors' Compensation

New England
(Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut)

Mid-Atlantic
(New York, New Jersey)

Upper Southeast
(Delaware, Maryland, Virginia, West Virginia, Kentucky, North Carolina, South Carolina)

Lower Southeast
(Tennessee, Georgia, Alabama, Mississippi, Florida)

Industrial Heartland
(Pennsylvania, Ohio, Michigan, Indiana, Illinois)

Breadbasket
(Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, Kansas)

Southwest
(Arkansas, Louisiana, Oklahoma, Texas)

Mountain States
(Montana, Wyoming, Colorado, New Mexico, Idaho, Utah, Arizona, Nevada)

Pacific
(Washington, Oregon, California, Alaska, Hawaii)

Figures are given for nine regions corresponding to those used for economic comparisons by The Conference Board's Regional Economic Forum.[1] The accompanying box shows what the regions are and what states each includes. The figures used for measurement and comparison are medians for total potential annual compensation, including pay for committee service. All companies in the survey are included for purposes of this breakdown, which is done separately for the three major industry categories.

- *Manufacturing companies*: In overall terms, the biggest dollar difference in regional terms occurs in the manufacturing sector (Table 8), where the gap between the highest and lowest regional medians is $11,000. The table also shows that directors of manufacturing companies headquartered in the Mid-Atlantic states (New York and New Jersey) make considerably more, on average, than their fellow directors in any other region. However, differences between regions are far less marked when only large firms ($3 billion in sales) are being compared.
- *Financial companies*: In these firms (Table 9), New England heads the list in terms of overall median pay for directors, possibly reflecting the large number of banking and insurance companies located in that area. There is a smaller

[1]Lora S. Collins, *The 1985-86 U.S. Regional Outlook*. The Conference Board, Research Bulletin No. 181, 1985.

gap between medians for the first and second regions than there is in manufacturing, and also a smaller gap ($9,000) between the highest and lowest regional medians. But regional differences among large firms appear to be greater than in manufacturing among the larger companies.

• *Nonfinancial service companies*: Nonfinancial service companies present still another pattern, as seen in Table 10. The total gap betweeen the highest and lowest regional medians is the smallest of the three industry groups at $6,200. While the Mid-Atlantic region again heads the list, as it does in manufacturing, the "Breadbasket" region is second, and the Lower Southeast and Pacific regions place relatively higher than they do in the other two industry categories.

Directors' Compensation in Multinational Companies

As part of an increasing Conference Board emphasis on transnational business information, this survey breaks out directors compensation figures for 108 *multinational* companies included among the 956 respondents. These are companies that meet all three of the following criteria:

• Thirty percent or more of total sales are outside the United States;

• Foreign sales are at least $250 million;

• Manufacturing operations controlled by the U.S. parent are located in at least five countries.

All of the 108 companies are in the manufacturing sector and, therefore, their compensation levels are measured against the other manufacturers in the survey. (There were only five *nonmanufacturing* multinationals among the respondents; they were excluded from this analysis for the sake of consistency.)

Table 11 presents the comparative figures, in six company size groups. As the table indicates, multinational companies in the survey do pay a higher median annual compensation to their outside board members, on average, than do other manufacturing firms of comparable size. No information was solicited from these companies as to why this would be so, but it seems reasonable to surmise that the complexities of running a truly multinational firm place a premium on expert counsel at the board level, which in turn, would justify high compensation to attract top-notch directors. On the other hand, a similar analysis of *executive* compensation found that "compensation levels and patterns in U.S.-based multinationals do not differ markedly from the U.S. manufacturing industry norms."[2] In any case, the figures from this present survey indicate that directors of multinational firms do somewhat better than their counterparts on other boards.

[2]Harland Fox, *Top Executive Compensation in U.S.-Based Multinationals*. The Conference Board, Research Bulletin No. 173, 1985, p.3.

Table 1: Amounts and Increases of Median Total Potential Annual Compensation[1] for Outside Directors in the Three Major Industry Categories, for 1984 and 1985

	1984		*1985*		
	Median Total Potential Annual Compensation	*Percent of Increase Over 1983*	*Median Total Potential Annual Compensation*	*Amount of Increase Over 1984*	*Percent of Increase Over 1984*
Manufacturing companies	$18,900	11%	$19,000	$ 100	0.5%
Financial companies	$14,200	6%	$14,975	$ 775	5%
Nonfinancial service companies[2]	$16,125	15%	$17,200	$1,075	7%

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

[2]Includes ten mining companies.

Table 2: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 455 Manufacturing Companies, by Industry[1]

Industry	*Number of Companies*	*Range of Compensation*	*1984 Median Annual Compensation (465 Companies)*	*1985 Median Annual Compensation (455 Companies)*	*Percentage Increase (Decrease)*
Aerospace, aircraft and parts	19	$10,000–$35,200	$21,000	$19,000	(10)%
Apparel and related products	12	$ 4,000–$24,375	$15,850	$14,250	(10)
Chemicals, paints and related products	19	$ 8,100–$35,000	$18,700	$20,200	8
Conglomerate or widely diversified	54	$ 4,825–$42,000	$20,400	$23,400	15
Construction, construction engineering	16	$ 5,000–$32,000	$18,000	$17,485	(3)
Construction materials and components (excluding lumber)	16	$ 4,600–$24,000	$15,750	$17,313	10
Containers, packaging	5	$16,000–$29,000	$22,000	$22,000	0
Drugs, pharmaceuticals, cosmetics, soaps	23	$ 4,000–$37,000	$26,250	$21,250	(19)
Electrical industrial equipment	15	$ 4,400–$36,034	$17,700	$16,800	(5)
Food, beverages and related products	27	$ 8,000–$52,500	$24,900	$25,000	.4
Instruments, controls, optical products	16	$ 2,500–$30,100	$16,150	$16,250	.6
Machinery: general industrial	20	$ 6,000–$28,400	$21,200	$16,650	(21)
Machinery: metalworking and special	6	$16,200–$20,800	$12,280	$17,725	44
Miscellaneous consumer products	33	$ 825–$40,250	$17,000	$18,000	6
Miscellaneous industrial products	10	$ 4,800–$27,000	$16,875	$16,500	(2)
Motor vehicles and parts	11	$ 6,500–$49,250	$19,700	$21,000	7
Nonferrous metals	8	$ 5,000–$33,000	$25,000	$16,075	(36)
Office equipment, computers, electronics	34	$ 1,600–$68,500	$14,225	$14,325	.7
Paper and allied products	20	$10,000–$34,950	$23,500	$23,000	(2)
Petroleum products (including exploration	41	$ 1,000–$42,000	$21,000	$18,750	(11)
Printing, printing products, publishing	17	$ 6,800–$34,500	$18,000	$22,000	22
Rubber products	7	$ 6,000–$32,000	$17,500	$17,500	0
Steel, iron	10	$10,500–$29,500	$20,150	$20,213	.3
Textiles	10	$ 3,000–$28,000	$15,000	$ 9,150	(39)
Transportation equipment and parts	6	$ 9,150–$36,250	$12,000	$23,650	97

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

Table 3: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 455 Manufacturing Companies, by Company Size[1]

Company Size by Sales (Millions of Dollars)	*Number of Companies*	*Range of Compensation*	*1984 Median Annual Compensation (465 Companies)*	*1985 Median Annual Compensation (455 Companies)*	*Percentage Increase (Decrease)*
Under $25	17	$ 1,000–$15,500	$ 4,900	$ 5,000	2%
25–49	7	$ 6,125–$20,000	$10,875	$13,000	16
50–99	36	$ 825–$23,000	$ 9,200	$11,500	25
100–149	22	$ 3,000–$24,000	$11,750	$11,500	(2)
150–199	19	$ 7,000–$25,000	$13,000	$13,000	0
200–349	58	$ 3,000–$30,000	$13,750	$14,150	3
350–499	36	$11,000–$22,750	$17,625	$15,900	(10)
500–749	44	$ 9,000–$30,000	$17,650	$17,500	(.8)
750–999	25	$ 8,500–$33,750	$20,200	$22,000	9
1,000–1,999	73	$12,000–$36,400	$23,000	$22,000	(4)
2,000–2,999	27	$17,500–$33,500	$23,500	$25,500	9
3,000–4,999	40	$13,500–$40,000	$28,000	$29,100	4
5,000 and over	51	$21,600–$68,500	$31,900	$33,200	4

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

Table 4: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 202 Financial Companies, by Industry[1]

Industry	Number of Companies	Range of Compensation	1984 Median Annual Compensation (189 Companies)	1985 Median Annual Compensation (202 Companies)	Percentage Increase (Decrease)
Bank holding company	82	$1,200–$42,875	$13,500	$15,000	11%
Commercial banking	20	$2,100–$31,200	$12,350	$12,850	4
Insurance—mutual fire and casualty	5	$4,500–$23,700	N/A	$12,000	N/A
Insurance—stock fire and casualty	9	$5,000–$41,000	N/A	$21,000	N/A
Insurance—mutual life	13	$3,500–$50,550	$25,000	$27,500	10
Insurance—stock life	20	$2,850–$38,100	$11,600	$12,950	12
Investment company	15	$5,200–$22,830	$13,450	$11,400	(15)
Miscellaneous financial service	38	$3,000–$37,600	$20,000	$17,500	(13)

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees. N/A = not available.

Table 5: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 200 Financial Companies, by Company Size[1]

Company Size by Assets (Millions of Dollars)	Number of Companies	Range of Compensation	1984 Median Annual Compensation (189 Companies)	1985 Median Annual Compensation (200 Companies)	Percentage Increase (Decrease)
Under $100	16	$2,100–$22,830	$ 7,450	$10,250	38%
100–149	8	$3,500–$31,600	N/A	$11,150	N/A
150–199	7	$2,850–$19,750	N/A	$ 6,450	N/A
200–349	12	$1,200–$21,000	$ 6,000	$ 6,650	11
350–499	10	$5,200–$22,500	$ 9,750	$10,450	7
500–749	7	$4,000–$22,000	$ 8,400	$ 7,500	(11)
750–999	12	$5,500–$21,400	$13,650	$11,250	(18)
1,000–1,999	26	$5,352–$28,000	$11,700	$14,675	25
2,000–2,999	18	$7,350–$22,133	$14,000	$14,125	.9
3,000–4,999	20	$6,500–$32,000	$13,750	$14,975	9
5,000 and over	64	$5,000–$50,550	$21,625	$23,930	11

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees. N/A = not available.

Table 6: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 295 Nonfinancial Service Companies, by Industry[1]

Industry	Number of Companies	Range of Compensation	1984 Median Annual Compensation (298 Companies)	1985 Median Annual Compensation (295 Companies)	Percentage Increase (Decrease)
Conglomerate or widely diversified (mostly nonmanufacturing)	14	$8,200–$32,850	$21,100	$27,188	29%
Holding company[2]	32	$4,000–$38,450	$16,338	$18,750	15
Merchandising—retail	35	$2,400–$40,000	$18,100	$20,000	10
Merchandising—wholesale	9	$9,000–$21,200	$15,000	$15,000	0
Mining	10	$2,300–$32,000	$19,500	$14,363	(26)
Miscellaneous financial services[3]	44	$ 500–$51,000	$17,000	$13,800	(19)
Public utility	121	$3,800–$39,750	$14,000	$15,600	11
Transportation (including pipeline)	30	$2,000–$36,200	$22,000	$21,000	(5)

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

[2]Excluding *bank* holding companies.

[3]Includes such industries as communications, consulting, health care, hotels, maintenance.

Table 7: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 296 Nonfinancial Service Companies, by Company Size[1]

Company Size by Sales (Millions of Dollars)	*Number of Companies*	*Range of Compensation*	*1984 Median Annual Compensation (297 Companies)*	*1985 Median Annual Compensation (296 Companies)*	*Percentage Increase (Decrease)*
Under $25	11	$ 500–$26,000	$ 7,500	$ 6,000	(20)%
25–49	10	$ 2,000–$20,000	$10,000	$ 9,500	(5)
50–99	16	$ 3,800–$26,000	$10,000	$ 8,900	(11)
100–149	11	$ 6,800–$14,300	$ 9,500	$10,000	5
150–199	12	$ 5,000–$20,000	$14,300	$14,213	(.6)
200–349	22	$ 2,400–$25,500	$12,375	$15,950	29
350–499	27	$ 2,000–$26,050	$12,800	$11,600	(9)
500–749	28	$ 6,600–$21,000	$12,100	$12,400	2
750–999	16	$ 8,080–$28,425	$16,925	$17,375	3
1,000–1,999	53	$ 7,000–$40,000	$17,000	$19,500	15
2,000–2,999	26	$10,000–$51,000	$19,500	$24,100	24
3,000–4,999	32	$ 6,000–$40,000	$25,000	$24,000	(4)
5,000 and over	32	$12,000–$38,450	$27,000	$27,288	1

[1]Based on amount paid to *average or most representative board member(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

Table 8: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 455 Manufacturing Companies, by Geographic Region[1]

Region[2]	*Number of Companies*	*Median Total Potential Annual Compensation*	*Percentage Above (Below) Overall Median*	*Medians of Largest Companies ($3 billion in sales)*
Mid-Atlantic	85	$23,500	24%	$33,600
New England	44	$20,550	8	$32,625
Industrial Heartland	144	$20,000	5	$31,000
Overall median all manufacturing companies:	(455)	($19,000)		
Upper Southeast	25	$18,800	(1)	$31,800
Southwest	46	$17,225	(9)	$33,000
Breadbasket	31	$17,000	(11)	$27,750
Mountain	12	$16,200	(15)	$27,600[a]
Pacific	47	$15,200	(20)	$31,200
Lower Southeast	21	$12,500	(34)	$29,000[a]
Difference between highest and lowest medians:		$11,000		$ 6,000

[1]Based on amount paid to *average or most representative board members(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

[2]See adjacent box for states comprising each region.

[a]One company.

Table 9: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 202 Financial Companies, by Geographic Region[1]

Region[2]	*Number of Companies*	*Median Total Potential Annual Compensation*	*Percentage Above (Below) Overall Median*	*Medians of Largest Companies ($3 billion in sales)*
New England	22	$20,000	34%	$30,500
Mid-Atlantic	38	$18,750	25	$32,000
Southwest	11	$17,000	14	$19,250
Breadbasket	9	$16,000	7	$18,175
Overall median all financial companies:	(202)	($14,975)		
Pacific	38	$14,700	(2)	$20,750
Upper Southeast	29	$13,500	(10)	$14,500
Heartland	37	$12,000	(20)	$20,100
Lower Southeast	11	$11,500	(23)	$33,800
Mountain	7	$11,000	(27)	$16,050
Difference between highest and lowest medians:		$ 9,000		$19,300

[1]Based on amount paid to *average or most representative board members(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

[2]See adjacent box for states comprising each region.

Table 10: Total Annual Compensation (Regular Board Service Plus Committee Service) to Representative Outside Directors in 295 Nonfinancial Service Companies, by Geographic Region[1]

Region[2]	*Number of Companies*	*Median Total Potential Annual Compensation*	*Percentage Above (Below) Overall Median*	*Medians of Largest Companies ($3 billion in sales)*
Mid-Atlantic	36	$20,500	19%	$26,500
Breadbasket	24	$18,550	8	$28,750
New England	19	$18,000	5	$27,450
Lower Southeast	21	$17,850	4	$21,500
Pacific	53	$17,750	3	$26,250
Heartland	62	$17,425	1	$30,350
Overall median all nonfinancial companies:	(295)	($17,200)	—	
Southwest	34	$16,300	(5)	$28,188
Mountain	21	$15,900	(8)	$16,900
Upper Southeast	25	$14,300	(17)	$28,250
Difference between highest and lowest medians:		$ 6,200		$13,450

[1]Based on amount paid to *average or most representative board members(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

[2]See adjacent box for states comprising each region.

Table 11: Directors' Total Annual Compensation in U.S.-Based Multinational Companies, As Compared with Other Manufacturing Companies, by Company Size[1]

	Median Total Potential Annual Compensation			
	Multinational Companies		*Other Manufacturing Companies*	
Company Size by Sales (Millions of Dollars)	*Number of Companies*	*Median Compensation*	*Number of Companies*	*Median Compensation*
Under $100	1	$15,600	59	$ 9,600
100–199	2	$14,950	39	$12,200
200–499	7	$17,000	87	$15,000
500–999	5	$19,500	64	$18,750
1,000–2,999	32	$25,250	68	$22,000
3,000 and over	61	$31,800	30	$30,750

[1]Based on amount paid to *average or most representative board members(s)* in each company, as determined and reported by respondents. Figures assume attendance at all meetings of board and assigned committees.

Chapter 2
Forms and Amounts of Compensation for Regular Board Service

THIS CHAPTER deals with one of the two major components of total annual compensation for directors: compensation for regular, or full board, service. (Board *committee* pay, the other component of the total, is covered in Chapter 3.) The information includes the form(s) of payment made to directors for board service—annual retainers, per-meeting fees, or both—and the size (dollar amounts) of these payments. It also includes calculations on *total* board-only compensation, and on the proportion that board-only pay is of total annual compensation with committee pay included. Finally, there are tables showing frequency of board meetings, by industry category and by company size.

Forms of Compensation for Regular Board Service

Retainers are the major component of director compensation, as Table 12 clearly shows. It is especially true for manufacturing companies; 97 percent of them pay a retainer, usually along with a per-meeting fee. Financial companies use retainers somewhat less (90 percent) than do firms in the other two categories.

Payment in stock: Respondents were asked, for the first time, if any part of their compensation to outside directors was in the form of company stock. Sixty-three companies (7 percent) gave an affirmative answer. They were not asked to provide details, but a few did indicate that receipt of stock instead of cash was at the option of individual directors.

Some companies also promote stock ownership by outside directors by making it available at favorable prices through participation in a benefit plan. Thus, thirty companies offer directors a stock option plan, and five offer participation in a stock purchase plan. (See Table 32, page 19.)

Amounts of Annual Retainers

Table 13 summarizes information on the size of retainers paid for regular board service. It shows the range and the median of retainers reported in the 1985 survey, for the three major industry groups. As might be expected, the median retainers paid by companies that pay only a retainer are larger than the medians of companies that also pay a meeting fee.

The median retainer for manufacturing companies that use both methods of payment stands at $12,000, up from $10,000 last year; the same figure for financial companies is up to $8,400, just a $400 gain; and for nonfinancial service companies the median retainer held steady at $10,000.

Table 14 gives a more detailed picture of the sizes of retainers paid. The table provides an analysis by company size. In the process, it illustrates that:

- *Retainer size tends to increase with company size,* especially in manufacturing firms. The correlation is least in the financial category. However, *more than one third* of the financial firms are bunched in the largest size group—$5 billion in assets—which has by far the largest median retainer figure for the category.
- *Manufacturing companies pay the highest retainers,* except in companies below $200 million in sales.

Amounts of Per-Meeting Fees

Table 15 deals with per-meeting fees for regular board meetings. The key figure is the median fee for companies that pay both a fee and a retainer, which in all three industry categories appears first. That figure went up from $600 to $700 for manufacturing companies, but it is still $500 in the other two categories.

Total Board-Only Compensation

This section presents information on total annual pay for regular board service *only,* leaving out payment (if any) that is specifically for committee service. The formula for the board-only compensation figure that was computed for each company for use in this section is simple:

> Annual retainer for regular board service + (board meeting fee x number of board meetings in a year)

Table 16 presents median board-only figures by company size, in the three major industry categories. For the median firm in each of the three categories, Table 17 shows board-only pay as a percent of *total* pay. It indicates that directors of financial firms get a slightly higher proportion of their pay on the basis of committee service than is the case in other industries.

Frequency of Board Meetings

In general, financial companies hold more board meetings than do other kinds of firms (see Table 18). The median board meeting frequencies for the three industry categories are unchanged from last year: Ten for financial companies, six in the other two categories. The higher figure in the financial sector is largely attributable to the fact that most banks and bank holding companies meet monthly.

Among nonfinancial firms, as Table 19 shows, meeting frequency tends to be more variable and to increase as company size increases.

Table 12: Forms of Compensation for Regular Board Service

Forms of Compensation	Percent of Companies Using Each: 454 Manufacturing Companies	199 Financial Companies	294 Nonfinancial Service Companies
Annual retainer:			
Both retainer and per-meeting fee	81%	83%	86%
Retainer only	16	7	9
Total paying retainer	97%	90%	95%
Per-meeting fee only	3	10	5
Totals	100%	100%	100%

Table 13: Retainers Paid for Regular Board Service, by Industry Category

Industry Category	Number of Companies by Method of Payment	Range of Retainers	Median Retainer
Manufacturing	366 that pay retainer and fee	$1,000–$31,100	$12,000
	70 that pay retainer only	$3,000–$38,000	$12,750
Financial	165 that pay retainer and fee	$1,000–$20,000	$ 8,400
	13 that pay retainer only	$3,000–$22,830	$ 9,000
Nonfinancial service	250 that pay retainer and fee	$1,250–$25,000	$10,000
	26 that pay retainer only	$2,400–$30,000	$14,500

Table 14: Retainers Paid for Regular Board Service, by Company Size

Company Size by Sales[1] (Millions of Dollars)	Ranges and Medians of Retainers Paid: Manufacturing Number of Companies	Manufacturing Range	Manufacturing Median	Financial Number of Companies	Financial Range	Financial Median	Nonfinancial Service Number of Companies	Nonfinancial Service Range	Nonfinancial Service Median
Under $100	49	$ 1,000–$20,000	$ 7,200	11	$2,700–$28,830	$ 7,500	30	$1,800–$20,000	$ 7,100
100–149	22	$ 3,000–$24,000	$ 7,350	8	$1,500–$19,000	$ 8,000	10	$4,800–$10,000	$ 6,000
150–199	18	$ 5,000–$15,000	$ 9,200	6	$2,500–$10,000	$ 3,500	11	$2,500–$12,500	$10,000
200–349	57	$ 2,400–$30,000	$ 9,000	8	$1,000–$10,000	$ 4,500	20	$1,250–$15,000	$ 8,600
350–499	35	$ 4,000–$15,000	$10,000	10	$2,000–$10,000	$ 5,880	25	$4,000–$20,000	$ 7,500
500–749	44	$ 1,500–$30,000	$11,100	5	$2,000–$ 7,500	$ 4,800	26	$2,000–$15,000	$ 6,600
750–999	25	$ 6,000–$20,000	$14,400	9	$2,500–$12,000	$ 6,000	16	$2,400–$20,000	$ 9,125
1,000–1,999	72	$ 1,400–$27,000	$14,500	25	$1,800–$20,000	$ 6,000	53	$5,000–$25,000	$11,000
2,000–2,999	27	$10,800–$24,000	$15,500	17	$3,000–$14,000	$ 6,000	26	$6,000–$30,000	$15,500
3,000–4,999	40	$10,000–$25,000	$18,500	19	$3,000–$20,000	$ 8,000	28	$7,800–$25,000	$15,000
5,000 and over	49	$12,000–$38,000	$20,000	62	$4,000–$20,000	$12,000	32	$6,000–$25,000	$15,500

[1]By assets for financial companies.

Table 15: Fees Paid for Regular Board Meetings

Industry Category	*Companies by Method of Payment*	*Range of Fees*	*Median Fee*
Manufacturing	366 that pay fee and retainer	$200–$2,500	$700
	16 that pay fee only	$200–$3,000	$675
Financial	164 that pay fee and retainer	$200–$4,500	$500
	19 that pay fee only	$100–$2,500	$400
Nonfinancial service	249 that pay fee and retainer	$200–$1,750	$500
	14 that pay fee only	$300–$2,000	$500

Table 16: Total Board-Only Annual Compensation,[1] by Company Size

	Manufacturing		*Financial*		*Nonfinancial Service*	
Company Size by Sales[2] (Millions of Dollars)	*Number of Companies*	*Median Board-Only Compensation*	*Number of Companies*	*Median Board-Only Compensation*	*Number of Companies*	*Median Board-Only Compensation*
Under $10	5	$ 4,000	2	$ 8,800	6	$ 4,800
10–24	12	$ 5,050	3	$ 9,000	5	$11,250
25–49	7	$13,000	3	$ 5,500	10	$ 9,500
50–99	36	$10,000	8	$11,400	17	$ 8,400
100–149	22	$10,800	9	$ 8,000	11	$ 8,900
150–199	19	$12,000	7	$ 5,500	12	$12,250
200–349	59	$12,000	12	$ 5,500	22	$11,500
350–499	36	$13,350	10	$ 9,100	27	$ 9,200
500–749	44	$15,000	7	$ 6,000	28	$ 9,500
750–999	25	$19,200	12	$ 8,750	16	$13,355
1,000–1,999	73	$18,950	26	$10,750	53	$15,100
2,000–2,999	27	$21,000	18	$ 9,100	26	$19,900
3,000–4,999	40	$25,000	20	$12,000	31	$21,650
5,000 and over	51	$26,000	64	$18,800	32	$21,850
Median						

[1]Annual compensation for regular board service only, excluding any pay for committee service. (In some companies this payment is intended to compensate directors for committee service as well as full board service; 8 percent of respondents do not pay separately for committees.)
[2]By assets for financial companies.

Table 17: Board-Only Compensation as a Percentage of Total Compensation, or Including Committees

Industry Category	*Median Percentage*
Manufacturing	86.7%
Financial	82.7%
Nonfinancial service	86.8%

Table 18: Number of Board Meetings Per Year, by Industry Category

Industry Category	*Range of Meeting Frequencies*	*Median*	*Mode*
Manufacturing	1–13	6	4
Financial	2–15	10	12
Nonfinancial service	1–13	6	4

Table 19: Number of Board Meetings Per Year, by Company Size and Industry

Company Size by Sales[1] (Millions of Dollars)	Frequency of Board Meetings								
	Manufacturing			Financial			Nonfinancial Service		
	Range	Median	Mode	Range	Median	Mode	Range	Median	Mode
Under $100	1–12	5	4	4–12	5.6	4,5	1–13	4.5	4
100–199	4–12	6	4	4–13	9	4,12	4–12	5	4
200–499	4–13	6	4	4–12	11	12	4–12	6	4
500–999	1–12	6	4	4–13	11	12	4–13	8	12
1,000–2,999	3–13	7.5	10	4–13	9	12	4–13	6	6
3,000 and over	4–13	9	10	2–15	9	12	4–13	10	12

[1]By assets for financial companies.

Chapter 3
Compensation for Service on Board Committees

THIS CHAPTER presents information on compensation paid specifically for serving on board committees—payment in addition to remuneration for regular board service. It includes findings on compensation to chairmen of board committees, where that responsibility is rewarded with higher pay. The chapter also contains data on how many committees the surveyed companies have, and how often they meet.

Prevalence of Payment for Committees

The overwhelming majority of respondents (99 percent) have at least one board committee. Table 20 summarizes practice concerning payment for committee service and for chairing committees. It indicates that:

- most companies pay directors for committee service;
- a sizable minority pays chairmen of committees more than committee members receive.

There has been little change in these practices since 1984.

Methods of Payment for Board Committees

Table 21, which shows the method of payment (fee, retainer, or both) used to compensate directors for committee service, indicates that the per-meeting fee is by far the most common form of payment for this purpose, as it customarily has been.

Amounts of Payment for Board Committees

Dollar figures for service on principal board committees in the three major industry categories are presented in Tables 22, 23, and 24. The tables contain ranges and medians of fees and retainers paid for each type of committee.

A median fee of $500 for committee meetings occurs most often except for manufacturing companies, where the most common median is now up to $600 (from $500 last year).

Only a minority of companies use an annual retainer to pay for board committee service. The tables show that the median retainers for most committees range between $2,000 and $3,000. For several committees, median retainers have gone up since 1984. Primary examples: Executive committee (up in all three industry groups); audit and finance committees, in manufacturing and nonfinancial service.

Forms and Amounts of Payment to Chairmen of Board Committees

Table 20 shows that a new high of 43 percent of companies with committees pay committee chairmen extra, meaning an amount greater than others on the committee receive, or a payment where regular members receive none. Tables 25, 26, and 27 spell out the forms and amounts of compensation paid for chairing principal committees, as reported by companies in the three major industry categories. Some highlights from these tables:

- Median retainers for committee chairmen show no particular trend since 1984, but per-meeting fees have moved up by small amounts (often $50) for several major committees,
- Fees for committee chairmen continue to be lowest in financial firms.
- For the audit, executive and finance committees, retainers to chairmen amounting to $20,000 or more are not unusual.
- Whereas the fee is the most common vehicle for paying for committee service, the *retainer* is favored for compensating committee *chairmen,* especially by manufacturing companies (Table 25).

Number of Committees Per Company

From the point of view of the individual director, compensation as a member of a particular board is affected by how many committees he or she serves on. This can depend, in turn, on how many different committees that board has.

Tables 28 and 29 deal with the number of committees reported per company, the first by industry category, the second by company size. Financial companies have the highest number of committees per company, on average (Table 28). And over half (54 percent) of the financial firms have *more than four* board committees, whereas only 43 percent of manufacturers and 42 percent of nonfinancial service firms have that many. The figures in Table 29 show that, for manufacturers, the larger the company, the more board committees it is likely to have. This pattern is not as consistent in the other two industry categories, but a median of five committees per company is common to the largest firms in all three categories.

How Often Committees Meet

Board committees of financial companies meet more often than committees in other industries, it appears from Table 30, just as the boards do. Medians for executive and finance committee meetings—at six meetings a year—are especially high in financial firms.

In the other two industry categories, a median frequency of three meetings per year appears most often. In both categories, the finance committee meets slightly more frequently than any other.

Table 20: Incidence of Payment to Members and Chairmen of Board Committees (947 Companies)

Practice	1985 Number of Companies	1985 Percent	Corresponding 1984 Percent
Pay extra for committee service	864	91%[b]	88%[b]
Pay chairmen of committee(s) more than committee members	403	43%[b]	42%[b]

[b]Percentage based on number of companies that have or had committees.

Table 21: Methods of Payment for Principal Board Committees

Committee	Total Companies Paying	Methods of Payment Used (by Number of Companies) Fee Only	Fee and Retainer	Retainer Only
Audit	838	729	57	52
Compensation	716	635	38	43
Executive	534	465	43	26
Nominating	423	377	26	20
Finance	237	214	12	11
Pension or Employee Benefits	157	141	10	6
Public Policy	113	101	7	5
Stock Option	76	69	5	2
Investment	71	63	3	5
Planning	52	51	—	1
Human Resources	43	40	2	1
Contributions	23	21	2	—

Table 22: Forms and Amounts of Payment for Principal Board Committees, Manufacturing Companies

Committee	Forms and Amounts of Payment: Fees Number of Companies	Fees Range of Fees	Fees Median	Retainers Number of Companies	Retainers Range of Retainers	Retainers Median
Audit	362	$100–$2,000	$525	59	$ 500–$14,000	$2,500
Compensation	334	$100–$2,000	$500	51	$1,000–$14,000	$2,000
Executive	217	$100–$2,000	$600	33	$1,000–$22,000	$3,000
Nominating	195	$100–$2,000	$600	32	$1,000–$14,000	$2,000
Finance	104	$125–$1,200	$600	14	$1,000–$19,200	$2,750
Pension or Employee Benefits	79	$200–$1,000	$600	11	$1,500–$14,000	$2,500
Policy Policy	43	$400–$1,000	$750	7	$1,000–$10,000	$2,500
Stock Option	40	$125–$ 900	$525	5	$1,000–$ 5,000	$2,000
Investment	23	$200–$1,500	$600	3	$1,500–$ 5,000	$4,800
Planning	19	$300–$1,500	$550	1	$ 1,000	$1,000
Human Resources	11	$300–$ 800	$600	1	$ 3,000	$3,000
Contributions	7	$500–$ 750	$600	1	$ 3,000	$3,000

Table 23: Forms and Amounts of Payment for Principal Board Committees, Financial Companies

Committee	Forms and Amounts of Payment					
	Fees			Retainers		
	Number of Companies	Range of Fees	Median	Number of Companies	Range of Retainers	Median
Audit	176	$ 50–$1,750	$475	26	$ 500–$ 7,500	$ 2,000
Executive	135	$ 50–$1,500	$500	12	$ 500–$15,000	$ 3,250
Compensation	129	$ 50–$1,500	$400	12	$1,000–$ 5,000	$ 2,225
Nominating	87	$ 50–$1,000	$500	5	$ 500–$ 3,000	$ 2,500
Finance	37	$100–$1,500	$500	4	$ 500–$ 7,200	$ 2,750
Investment	30	$ 50–$1,250	$500	4	$2,000–$15,000	$ 4,500
Public Policy	23	$100–$1,000	$500	2	$ 500–$ 1,000	$ 750
Pension or Employee Benefits	22	$150–$ 700	$375	2	$ 1,500	$ 1,500
Stock Option	19	$ 50–$ 750	$400	1	$ 1,500	$ 1,500
Human Resources	17	$100–$1,250	$500	2	$ 500–$ 3,000	$ 1,750
Planning	11	$100–$1,000	$500	0	—	—
Contributions	10	$200–$ 600	$450	1	$ 3,000	$ 3,000

Table 24: Forms and Amounts of Payment for Principal Board Committees, Nonfinancial Service Companies

Committee	Forms and Amounts of Payment					
	Fees			Retainers		
	Number of Companies	Range of Fees	Median	Number of Companies	Range of Retainers	Median
Audit	225	$150—$2,000	$500	21	$ 450–$15,000	$3,000
Compensation	189	$150—$1,100	$500	16	$ 450–$11,000	$2,575
Executive	138	$ 50—$1,900	$500	22	$1,000–$16,000	$2,700
Nominating	109	$200—$1,000	$500	8	$ 450–$ 9,000	$1,950
Finance	75	$ 20—$1,100	$500	5	$ 450–$ 9,000	$3,000
Pension or Employee Benefits	45	$200—$1,000	$500	2	$1,500–$ 3,650	$2,575
Public Policy	36	$250—$ 800	$500	2	$3,000–$ 9,000	$6,000
Stock Option	16	$100—$2,000	$500	1	$ 2,000	$2,000
Planning	18	$250—$1,000	$500	0	—	—
Human Resources	13	$280—$ 800	$500	0	—	—
Investment	9	$200—$ 700	$500	1	$ 9,000	$9,000
Contributions	5	$450—$1,000	$500	0	—	—

Table 25: Compensation of Chairmen of Board Committees, Manufacturing Companies[1]

Committee	Number of Companies that Pay Chairmen A Retainer	Range of Retainers	Median Retainer	Number of Companies that Pay Chairmen A Fee	Range of Fees	Median Fee
Audit	146	$ 500–$ 20,000	$2,500	41	$400–$2,000	$ 800
Compensation	128	$ 500–$ 19,200	$2,500	38	$400–$2,000	$ 750
Nominating	82	$ 375–$ 16,000	$2,500	19	$500–$2,000	$ 800
Executive	42	$1,000–$ 34,000	$2,500	18	$400–$2,000	$ 800
Finance	42	$ 625–$121,000	$2,500	16	$500–$2,000	$ 750
Pension or Employee Benefits	32	$1,000–$ 16,000	$3,000	12	$700–$2,000	$ 850
Public Policy	23	$1,000–$ 11,000	$3,000	4	$900–$2,000	$1,000
Investment	7	$2,000–$ 2,500	$2,500	3	$600–$2,000	$ 600
Planning	3	$2,000–$ 6,000	$2,000	4	$500–$ 800	$ 775
Stock Option	3	$1,000–$ 2,500	$2,000	4	$600–$ 900	$ 800
Human Resources	4	$1,000–$ 5,000	$1,750	—	—	—
Contributions	1	$ 3,000	$3,000	2	$600–$ 750	$ 675

[1]Includes only chairmen who are paid more than regular committee members. Some committee chairmen included in this table are employee directors; how many and on what committees can not be determined from the data.

Table 26: Compensation of Chairmen of Board Committees, Financial Companies[1]

Committee	Number of Companies that Pay Chairmen A Retainer	Range of Retainers	Median Retainer	Number of Companies that Pay Chairmen A Fee	Range of Fees	Median Fee
Audit	58	$ 500–$25,000	$2,500	34	$300–$2,000	$ 600
Compensation	36	$ 500–$28,000	$2,250	24	$300–$1,500	$ 550
Nominating	23	$ 500–$10,000	$2,000	11	$300–$1,500	$ 600
Executive	10	$1,000–$28,000	$2,000	10	$300–$1,300	$ 550
Finance	9	$1,000–$25,000	$3,000	8	$300–$1,500	$ 700
Public Policy	12	$1,000–$ 7,500	$2,500	3	$600–$1,500	$ 650
Pension or Employee Benefits	5	$ 750–$ 2,500	$1,500	3	$300–$ 650	$ 500
Human Resources	6	$1,000–$ 5,000	$2,200	1	$ 600	$ 600
Investment	3	$1,500–$15,000	$5,000	1	$ 500	$ 500
Planning	1	$ 2,500	$2,500	2	$900–$1,500	$1,200
Contributions	2	$1,000–$ 4,000	$2,500	1	$ 900	$ 900
Stock Option	1	$ 1,000	$1,000	—	—	—

[1]Includes only chairmen who are paid more than regular committee members. Some committee chairmen included in this table are employee directors; how many and on what committees can not be determined from the data.

Table 27: Compensation of Chairmen of Board Committees, Nonfinancial Service Companies[1]

Committee	Number of Companies that Pay Chairmen A Retainer	Range of Retainers	Median Retainer	Number of Companies that Pay Chairmen A Fee	Range of Fees	Median Fee
Audit	81	$ 500–$34,000	$2,500	24	$ 400–$1,600	$ 800
Compensation	61	$ 500–$18,000	$2,400	24	$ 400–$1,600	$ 800
Nominating	36	$ 500–$ 5,000	$2,000	13	$ 400–$1,500	$ 750
Executive	18	$1,000–$30,250	$2,500	14	$ 400–$1,500	$ 750
Finance	23	$1,000–$20,000	$2,500	5	$ 400–$1,250	$1,000
Public Policy	18	$ 625–$18,000	$2,000	3	$1,250–$1,500	$1,500
Pension or Employee Benefits	11	$1,000–$ 5,500	$2,500	3	$ 400–$1,250	$1,250
Planning	7	$ 500–$ 4,000	$1,500	3	$ 450–$1,250	$ 750
Investment	5	$2,000–$ 5,000	$2,500	3	$ 400–$1,100	$ 550
Human Resources	6	$ 500–$ 5,000	$1,625	1	$ 450	$ 450
Stock Option	2	$3,000–$ 4,000	$3,500	3	$ 700–$1,000	$1,000

[1]Includes only chairmen who are paid more than regular committee members. Some committee chairmen included in this table are employee directors; how many and on what committees can not be determined from the data.

Table 28: Number of Committees Reported Per Company, by Industry Category

Number of Committees	Total Number of Companies Reporting Each	Percent	Manufacturing		Financial		Service	
			Number of Companies	Percent[1]	Number of Companies	Percent[1]	Number of Companies	Percent[1]
1–2	108	11%	54	12%	16	8%	38	13%
3–4	409	43	198	44	77	39	134	46
5–6	354	38	167	37	85	43	102	35
7–8	65	7	29	6	18	9	18	6
9–12	8	1	2	—	4	2	2	1
Totals	944	100%	450	100%	200	100%	294	100%
Median			4		5		4	
Mode			5		5		3	
Mean			4.3		4.6		4.2	

[a]Details do not add to 100% because of rounding.

Table 29: Number of Committees Per Company, by Company Size

	Company Size Categories[1] (Millions of Dollars)					
	Under $100	*100–199*	*200–499*	*500–999*	*1,000–2,999*	*3,000 and over*
			Manufacturing Companies			
Number of companies in each category	56	41	94	68	100	91
Range of number of committees reported	1–7	1–7	1–7	1–7	1–9	3–10
Median number of committees reported	3	4	4	4	5	5
Mode	3	3,4	3	4	5	5
			Financial Companies			
Number of companies in each category	15	16	22	19	43	83
Range of number of committees reported	2–6	1–6	1–5	2–6	3–9	2–11
Median number of committees reported	4	3.5	3	4	5	5
Mode	4	3	3	5	5	5
			Nonfinancial Service Companies			
Number of companies in each category	35	23	49	44	79	63
Range of number of committees reported	1–6	1–6	1–8	2–9	2–8	1–9
Median number of committees reported	3	5	4	4	4	5
Mode	3	5	3,4	3	4	5

[1]Measured in sales for manufacturing and nonfinancial services, assets for financial.

Table 30: Number of Meetings Per Year of Principal Committees

	Manufacturing Companies			*Financial Companies*			*Nonfinancial Service Companies*		
Committee	*Range of Meeting Frequencies*	*Median*	*Mode*	*Range of Meeting Frequencies*	*Median*	*Mode*	*Range of Meeting Frequencies*	*Median*	*Mode*
Audit	0–9	3	2	1–12	4	4	1–7	3	3
Compensation	0–23	3	2	1–13	3	2,4	1–10	3	2
Executive	0–61	3	1	0–52	6	12	0–50	3	1
Nominating	0–7	2	1	0–6	1	1	0–5	1	1
Finance	0–24	4	4	1–52	6	4	0–15	3.5	4
Pension or Employee Benefits	0–12	3	2	1–12	2	1,2,4	0–12	3	4
Public Policy	1–10	3	2	1–8	3	2,4	1–4	3	4
Stock Option	0–12	2	1	1–6	1	1	1–8	1	1

Chapter 4
Benefits for Directors

THE PRACTICE of augmenting outside directors' cash compensation with benefits or perquisites—the so-called "fringes" familiar in the area of executive compensation—has been increasing in recent years, but at a much slower pace than the substantial pay raises received by directors during this same period. The 1985 survey indicates that some benefits posted small gains in prevalence compared to 1984, while others remained essentially unchanged.

How Many Companies Provide Benefits

Overall, 93 percent of the companies in the survey have at least one form of benefit for their outside directors, a figure unchanged from last year. This count includes as a benefit directors and officers liability insurance (D&O), which is carried by 85 percent of the respondents. If D&O is not counted as a benefit on the grounds that it has become all but a necessity, rather than a supplemental fringe, then 73 percent of the respondents provide at least one benefit, down just slightly from 76 percent last year. Most companies, especially in manufacturing, have more than one benefit for directors.

For the first time, a breakdown of directors' benefits by size of company is included in the report. Table 31 shows that larger companies tend to have more benefits for their board members. The number of benefits ranges as high as six or more in some companies in all three industry groups, but especially in manufacturing.

Types of Benefits

Table 32 lists all benefits reported by 10 or more companies. As usual, a majority of the benefits reported in 1985 are in the form of insurance coverage. However, most of the benefits that showed an increase in use over last year are noninsurance items. Increases in prevalence are small. Save for D&O insurance, already mentioned, deferred compensation is the only benefit available in a majority of firms.

In addition to the benefits shown in the table, others that were reported less frequently include:

- Dependent life or travel insurance;
- Fidelity bond insurance;
- Kidnap-ransom insurance;
- Financial counseling, income tax preparation;
- Use of office space and services;
- Use of company condominium, guest house;
- Discount on purchase of company products or services;
- Use of company car;
- Reimbursement of prescription drug cost.

Some further observations about benefits for directors:

D&O insurance: Essentially, this coverage is designed to reimburse directors should they be sued—as directors—and incur legal and other expenditures as a result. (If the *company* reimburses the director, then the insurance benefit goes to the company, thus *indirectly* ensuring the director his or her reimbursement.)

Many directors will serve on a board only if they have this protection. Unfortunately for directors and companies alike, D&O coverage has recently become more difficult to acquire—some vendors have even stopped offering it—and considerably more expensive when it is available.

Table 34 shows limits of coverage of D&O carried by respondents in the three major industry groups, by company size categories. Not surprisingly, median coverage goes up as company size goes up, but the ranges indicate that some companies in all size categories carry coverage that greatly exceeds median amounts.

In a few companies, as shown in Table 32, D&O coverage is augmented by other related kinds of policies, such as those designed to cope specifically with the fiduciary implications of the Employee Retirement Income Security Act (ERISA).

Other insurance benefits: Table 32 shows almost no change in the prevalence of various insurance coverages for directors since 1984. Only accidental death and dismemberment coverage shows a small increase. Travel accident coverage continues to lead the list of health-related insurances with 40 percent of the respondents providing it.

Benefits other than insurance: It has already been noted that most gains in directors' benefits occurred in the noninsurance area. Deferred compensation now has a slightly

stronger claim to being a majority practice at 53 percent (51 percent last year); retirement plans moved up to the 15 percent mark from 11 percent.

Because of considerable interest in retirement or pension plans for outside directors reflected in inquiries from our Associate companies, a separate tabulation of the prevalence of such plans according to company size is included in this report, as Table 33. While 41 percent of all such plans are found in the billion-dollar firms, the survey also shows that 11 percent of companies under the $200 million mark have such plans.

For information on how deferred compensation plans and retirement plans for directors work, see James K. Brown, *Corporate Directorship Practices: Retirement Pay and Deferred Compensation for Outside Directors.* Research Bulletin No. 115, The Conference Board, 1982.

Table 31: Number of Benefits for Outside Directors Per Company,[1] by Company Size

Company Size by Sales (Millions of Dollars)[2]	Median Number of Benefits Per Company					
	389 Manufacturing Companies		173 Financial Companies		247 Nonfinancial Service Companies	
	Range	Median	Range	Median	Range	Median
Under $100	0–5	1	0–2	1	0–4	1
100–199	0–7	1	0–5	1	0–5	1
200–499	0–8	2	0–5	1	0–6	2
500–999	0–5	2	0–4	2	0–7	2
1,000–2,999	0–11	3	0–5	1	0–7	3
3,000 and over	0–8	4	0–6	3	0–6	3

[1]Not counting directors and officers liability insurance, or reimbursement of expenses of attending meetings.
[2]Financial companies are measured by assets.

Table 32: Principal Insurance and Other Benefits Provided to Outside Directors

Benefit	Number and Percent of Companies Mentioning		
	1985 Number of Companies	1985 Percent	1984 Percent
Insurance:			
Directors and officers liability	812	85%	85%
Travel accident	381	40	40
Life	154	16	16
Accidental death and dismemberment	168	18	15
Medical and hospitalization	70	7	7
Dental	20	2	2
Fiduciary/ERISA	16	2	2
Other liability[2]	13	1	N.A.[a]
Other Benefits:			
Deferred board compensation	505	53%	51%
Matching donations (educational, cultural, health, other)	333	35	32
Retirement or pension plan	145	15	11
Free or discounted company products or services	115	12	10
Stock options (30), stock purchase plans (5)	35	4	3
Physical examinations	14	2	1

[1]Benefits reported by 10 or more companies.
[2]"General," "comprehensive," "umbrella," "personal excess."
[a]Not available.

Table 33: Incidence of Retirement Benefit Plans for Outside Directors in 953 Companies, by Company Size

Company Size by Sales (Millions of Dollars)[1]	Provided by	
	Number of Companies	Percent
Under $100	3	3%
100–199	6	8
200–499	22	13
500–999	19	14
1,000–2,999	36	16
3,000 and over	59	25
Totals	145	15%

[1]Financial companies are measured by assets.

Table 34: Limits of Coverage for Directors and Officers Liability Insurance, By Industry Category and Company Size

Company Size by Sales (Millions of Dollars)[1]	D&O Coverage Limits, in Millions					
	349 Manufacturing Companies		146 Financial Companies		236 Nonfinancial Service Companies	
	Range	Median	Range	Median	Range	Median
Under $100	$ 1–$50	$10	$1–$75	$10	$ 1–$75	$10
100–199	$ 1–$75	$10	$1–$20	$10	$ 5–$35	$12.5
200–499	$ 1–$200	$15	$2–$30	$ 8.5	$ 5–$100	$20
500–999	$ 5–$60	$25	$5–$40	$10	$ 2–$300	$25
1,000–2,999	$ 1–$100	$30	$1–$100	$20	$10–$150	$50
3,000 and over	$20–$250	$50	$5–$750	$25	$10–$200	$50

[1]Financial companies are measured by assets.

Related Conference Board Publications

	Report No.
Corporate Directorship Practices: The Compensation Committee	829
Corporate Directorship Practices: The Nominating Committee and the Director Selection Process	812
Corporate Directorship Practices: The Planning Committee	810
Corporate Directorship Practices: The Public Policy Committee	775
Corporate Directorship Practices: The Audit Committee	766
The Board of Directors: Perspectives and Practices in Nine Countries	728
Corporate Directorship Practices: Role, Selection and Legal Status of the Board	646
Corporate Directorship Practices: Retirement Pay and Deferred Compensation for Outside Directors	RB115
Corporate Directorship Practices: Uncommon Committees of the Board	RB139
The Role of Outside Directors in Major Acquisitions or Sales	RB180